ILLINOIS BUSINESS REVIEW

A MONTHLY SUMMARY OF BUSINESS CONDITIONS FOR ILLINOIS

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HIGHLIGHTS OF BUSINESS IN DECEMBER

The rebound in business activity in December which had been anticipated as a result of the cessation of the steel strike was evident in most indexes. The revised index of industrial production advanced 9 points to 165 (1947-49 = 100), as against the high of 166 reached last May and June. Weekly steel production averaged about the same as in the record spring quarter prior to the strike; and automobile output, although still restricted in the early part of the month by shortages, bounced back to 495,000 cars, nearly double November production. Electric power output was at a record high and freight carloadings ran ahead of the corresponding 1957 and 1958 months.

Adjusted retail sales declined slightly. Preliminary estimates put the seasonally adjusted index of department store sales at 151 percent of the 1947-49 average, 6 points above November and 8 points above the preceding December. However, domestic sales of new cars totaled 361,700, down 13,000 from November.

Construction High

The value of new construction put in place in December amounted to $4.1 billion, a decline of 7 percent from November outlays of $4.4 billion. However, the seasonally adjusted annual rate for December was up 3 percent. Total new private construction fell to $3.1 billion from $3.3 billion in November, but this decline, as was true of all types of construction, was less than seasonal. Expenditures for new private residential buildings declined to $1.8 billion, 8 percent under November but 5 percent above December, 1958. Nonresidential building was down only slightly to $789 million, thus avoiding the usual seasonal decline of 5 percent. Outlays by public utilities were off 7 percent to $417 million.

Expenditures for new public construction declined 10 percent to $1.0 billion in December, but the seasonally adjusted annual rate for the month showed a gain of 4 percent over November. However, the total was down 17 percent from December, 1958.

Agreement in Steel

The settlement of the steel dispute early in January eliminated one major uncertainty in the 1960 economic picture. Estimates of the cost of the wage and other increases agreed upon center around 40 cents an hour in the final contract year, which begins two years after the expiration of the old contract. Direct wage increases presumably account for about half of the total. However, the first of these will not go into effect until December 1, 1960, and general price advances by the steel industry presumably will be postponed until then.

Other provisions will not add much, if anything, to the steelworkers' take-home pay and are conditional in part on developments in the rest of the economy. The controversial work rules issue was referred to a joint committee for study.

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Sales, Inventories Down

Reduced sales of automobiles by both manufacturers and retailers in November as a result of curtailed output arising from steel shortages brought total manufacturing and trade sales down $300 million from the preceding month to $59.4 billion, after seasonal adjustment. Sales by manufacturers were off $200 million to $29.2 billion, a decline of $500 million in durables being partly offset by a rise in nondurables. Retail sales declined $500 million to $17.8 billion, although sales of nondurables rose $200 million to $12.2 billion. Wholesalers' volume rose nearly $400 million to $12.3 billion, the increase being about evenly divided between durables and nondurables.

In November the book value of total business inventories continued the decline that began in August as a result of the steel strike. All of the curtailment was in retail stocks, which were off $500 million to $24.2 billion on an adjusted basis, mainly because of smaller supplies of automobiles. Wholesalers' inventories increased slightly to $12.6 billion, and manufacturers' stocks were steady at $51.5 billion. After seasonal adjustment, manufacturers' new orders dropped $1.0 billion to $29.5 billion.

Consumer Borrowing Slows

Another boost in consumer debt occurred in November but the increase was less than in the previous seven months, largely as a result of lower auto sales stemming from the steel strike. Total consumer short- and intermediate-term debt rose $350 million, on a seasonally adjusted basis, to $50.4 billion. Instalment debt advanced an adjusted $375 million, but noninstalment borrowing fell $25 million. Automobile paper accounted for $152 million of the increase in instalment obligations, little more than half the addition that came from this type in the preceding month. Other consumer goods paper, repair and modernization loans, and instalment-type personal loans also increased, the latter by $133 million. The decrease in noninstalment debt reflected reductions, after seasonal adjustment, in single-payment loans and charge accounts.

COLLEGE-AGE YOUTH — HERE THEY COME! · By J. S. Begando and Eunice Parker · Page 8

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Progress or Profiteering

The recent congressional hearings on the pricing of drugs set forth an economic paradox: the way to make profits is not to cut costs but to increase them. A firm can increase costs several hundred percent, double its profits, and at the same time show a more modest profit position because profits as a percent of sales will be reduced by one-half. How is this possible? By means of monopolistic pricing in a market that is stratified and confused by modern selling practices.

A major point brought out in the hearings was that prices of drugs had been marked up 1,000 percent or more from costs of production. The producers, defending their prices, stated that not all costs were taken into account. Specifically, the main items omitted were costs of research and of advertising and selling. It is the inflation of these costs that results in the inflation of prices.

Pushing Up Costs

Research is widely accepted as the basis for progress in medicine as in other fields. Most of the large drug companies maintain active research laboratories, and on the achievements of these laboratories their reputations often depend. No one could wish to disturb this approach to a better future.

The trouble is that much of what is called research does not fit this idealistic picture. As the special article in the November issue of this *Review* pointed out, the tremendous expansion of research activities in recent years has not been primarily aimed at new ideas but has attempted merely to exploit what was already known. Much of it is, in fact, merely a reclassification of activities carried on previously under other titles; and much is directed primarily at selling rather than improving the products sold. Even apart from what is admittedly market research, numerous "research" workers are engaged with trivia of design, packaging, and application — activities intended to entice buyers into parting with their money and not to add anything to their welfare.

This is not confined to drugs but pervades industry. The drug makers actually offend less than others in the proportion of misdirected research but often more in their direct selling efforts, particularly in the expensive advertising campaigns relied on to promote their products. All the way from factory to consumer, everyone engaged in moving the product is offered liberal inducements, and high margins all along the line cumulate into high prices. To justify these prices, it is necessary to create an impression of value where little if any may exist. Hence, the channels of communication are flooded with appeals, threats, and promises, based on half-truths if not on actual falsehoods, and with visual "demonstrations" of fantasies about human anatomy. Even the so-called "educational," direct-to-doctor selling is largely designed to break down the doctor's power of discrimination and pressure him into prescription of a particular variant of a well-known drug.

As a result of these practices, expenditures for research, development, promotion, advertising, and selling are all merged together in a way that makes it difficult to distinguish real values from waste and prodigality. However one might be inclined to strike this balance, there can be no denying that these expenditures comprise a class of costs which have no limit short of the ultimate price unthinking buyers can be induced to pay. They have clearly been boosted in many cases far above even the high production costs that would have to be incurred were markets local and limited.

Translating Costs into Profits

The way high costs get translated into profits is through the pricing formulas generally employed by American industry. These are designed to produce a "satisfactory" margin of profit when the volume of business is at a specified level commonly referred to as "standard volume" — this being the volume at which overhead and other non-direct costs are averaged to determine their proper contribution to price. If volume increases above this level, the profits realized are, of course, still higher.

It is necessary, in applying any such formula, that competitive conditions permit the maintenance of the price set. The pricing practices of the drug industry with respect to certain of the ethical drugs has recently been attacked by the Department of Justice as monopolistic and illegal. For most products sold directly to consumers without a doctor's prescription, however, price fixing need not be collusive or conspiratorial. Here, market positions are determined largely by advertising and other devices for "educating" the public into use of the product; and if all the important "competitors" resort to the same practice — perhaps in the belief that they have no other choice — the costs and prices of all have to be inflated to much the same extent.

Economists have been inclined to accept all kinds of costs as legitimate. Under certain assumptions about competition and consumer understanding of the goods he buys, this implies that efficiency will be promoted and the best allocation of resources achieved. But there is apparently a wide range of circumstances that makes a travesty of such analysis. For the composite of expenditures ranging from research to advertising and promising everything new, different, and helpful serves to confuse the buyer's sense of values and to transform competition so that it cannot serve the desired end. Instead of achieving the best allocation, resources are misapplied in a proliferation of activities of little real merit.

A second basic assumption of economics is that when the consumer pays the price asked, he has made a bargain and that "the market" has then "determined" the value of the goods purchased. But the doctrine of *caveat emptor* — "let the buyer beware" — becomes unrealistic when the

(Continued on page 6)

PHOTOGRAPHIC PRODUCTS

The manufacture of photographic products has been one of the nation's fastest growing industries in the postwar period. Illustrating this growth is the fact that value added by manufacture of photographic equipment rose 164 percent between 1947 and 1957, while value added by all manufacturing increased 99 percent.

The expansion of the industry has resulted from the development of new and more intensive applications of photography by industry, commerce, and science, as well as from the swelling amateur market. The latter has been augmented by population gains, rising disposable income, and increased leisure time.

Capsule View of the Industry

Photographic equipment manufacturers produce a wide variety of articles. Sensitized films and plates are the industry's principal product. The value of films shipped in 1957 came to more than $405 million, followed by still picture equipment ($185 million), sensitized paper and cloth ($178 million), and 8 and 16 mm picture equipment ($129 million).

The industry is dominated by a few very large firms. The eight largest factories, which employed two-thirds of the industry's 64,000 persons in 1957, produced more than 70 percent of the total value of its products. The high concentration is chiefly related to the commanding position of the Eastman Kodak Company in the industry. Eastman's sales of $829 million in 1958 constituted over two-fifths of the estimated $1.9 billion in total sales.

About half the states make some type of photographic equipment; but New York, Illinois, and New Jersey together turned out more than 90 percent of the $560 million added by manufacture in 1954. The industry is roughly separated into two centers of specialization. New York and New Jersey lead in the making of films and still equipment, whereas Illinois is prominent for its amateur and professional movie equipment.

Photographic products, especially film, are sold in many types of stores; but the majority of sales are made in camera stores, groceries, and drug and jewelry stores. Amateur photographers, the largest consumers of photographic items, accounted for 36 percent of total purchases in 1958. Other major uses and their shares of total sales were commerce and industry (26 percent), motion pictures (13 percent), reproduction (14 percent), and medical purposes (11 percent).

Postwar Developments

One of the major developments in the past fourteen years has been the greatly increased popularity of miniature-film cameras, such as the 8 mm movie and 35 mm still cameras. The appeal of the smaller, more versatile miniature camera is attributed to the postwar improvements in amateur color film, its availability at a moderate price, and better print service. Miniatures have also stimulated a strong secondary demand for projectors, viewers, and accessories.

Another development has been the increasing utilization of copying equipment in business and industry. The introduction of inexpensive, simplified copiers has opened the market to include many smaller firms unable to afford a full-time photographer. In addition, micro-copying has become increasingly important as a means of minimizing the problem of storage and record-keeping.

Probably the most remarkable postwar development has been the Polaroid camera, which turns out a finished picture in one minute. The Polaroid Corporation is currently perfecting a similar process for color and is planning to market it within the next few years.

A significant innovation in recent years has been the simplification of camera settings by means of automatic control devices. In 1957, Bell and Howell brought out an 8 mm movie camera with a built-in photoelectric eye which automatically controls lens and shutter adjustment. Similar devices have been installed in both the still and movie camera lines of most of the other major companies.

Illinois — Movie Equipment Center

Illinois ranks second in production of photographic equipment. Although the industry here trails New York, its total output is nearly two-thirds of that in all other states combined. The state's value of shipments in 1958 was an estimated $120 million, a 76 percent increase over 1947.

The industry in the State consists of about 80 factories employing more than 8,000 persons, with the two largest firms — Bell and Howell and Revere Camera Company, both of Chicago — together accounting for more than half of total employment.

Illinois early became a center of production in the movie equipment field. When the movie industry was beginning to flourish at the turn of the century, a number of Chicago firms pioneered designs in equipment. One of these companies, Motiograph, Inc., of Chicago, introduced the first practical motion picture projector in 1898. Later Bell and Howell, now the largest firm in Illinois, led the way in standardizing film and equipment sizes. The company's introduction of a 35 mm film perforator, camera, projector, and continuous printer eliminated the "flicker" of early movies and provided leading exhibitors with machines unmatched in quality for that period.

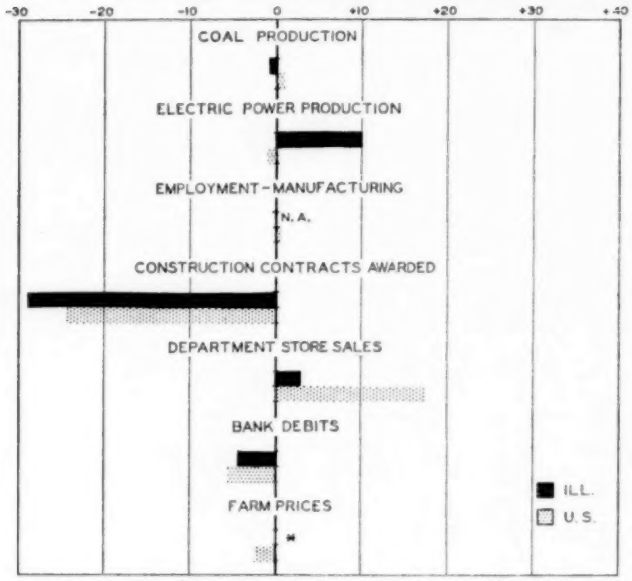
Today, Illinois remains not only the top state in production of Hollywood-type cameras and projectors but also has taken command in the amateur movie equipment field. In 1958, about half of the $130 million in shipments of 8 and 16 mm movie equipment originated here.

The future of the photographic products industry appears promising. Industry, commerce, and science are likely to find increasing uses for photography. Amateur photography will no doubt be stimulated by the predicted rise in births and the continuing advance in the average level of education — two important factors affecting the volume of picture-taking. Popularity of taking pictures should also increase with the further development of "easy-to-use" equipment.

STATISTICAL SUMMARY OF BUSINESS ACTIVITY

SELECTED INDICATORS

Percentage changes October, 1959, to November, 1959



* No change. n.a. Not available.

ILLINOIS BUSINESS INDEXES

Item	Nov. 1959 (1947-49 =100)	Percentage change from Oct. 1959	Percentage change from Nov. 1958
Electric power[1]	244.1	+10.0	+10.6
Coal production[2]	88.6	− 0.8	+15.4
Employment—manufacturing[3]	n.a.		
Weekly earnings—manufacturing[3]	167.7[a, b]	− 0.1	+ 4.9
Dept. store sales in Chicago[4]	123.0[c]	− 2.4	+ 3.4
Consumer prices in Chicago[5]	129.1	− 0.2	+ 1.3
Construction contracts awarded[6]	273.5	−29.1	−11.0
Bank debits[7]	198.5	− 4.3	+14.5
Farm prices[8]	76.0	0.0	− 8.4
Life insurance sales (ordinary)[9]	289.1	+ 0.7	− 2.0
Petroleum production[10]	124.9	+ 2.7	+ 7.5

[1] Fed. Power Comm.; [2] Ill. Dept. of Mines; [3] Ill. Dept. of Labor; [4] Fed. Res. Bank, 7th Dist.; [5] U. S. Bur. of Labor Statistics; [6] F. W. Dodge Corp.; [7] Fed. Res. Bd.; [8] Ill. Crop Rpts.; [9] Life Ins. Agcy. Manag. Assn.; [10] Ill. Geol. Survey.
[a] Revised series. [b] Data are for October, 1959; comparisons relate to September, 1959, and October, 1958. [c] Seasonally adjusted.

UNITED STATES MONTHLY INDEXES

Item	Nov. 1959	Percentage change from Oct. 1959	Percentage change from Nov. 1958
	Annual rate in billion $		
Personal income[1]	384.8[a]	+ 0.7	+ 4.7
Manufacturing[1]			
Sales	350.4[a]	− 0.7	+ 6.2
Inventories	51.5[a, b]	0.0	+ 4.5
New construction activity[1]			
Private residential	22.9	− 6.2	+ 6.9
Private nonresidential	16.6	− 2.6	+ 5.5
Total public	13.7	− 20.3	−18.7
Foreign trade[1]			
Merchandise exports	17.7[c]	− 0.2	− 7.7
Merchandise imports	14.5[c]	− 13.4	+ 5.5
Excess of exports	3.3[c]	+211.2	−40.6
Consumer credit outstanding[2]			
Total credit	50.4[b]	+ 1.0	+15.9
Instalment credit	38.7[b]	+ 0.8	+16.9
Business loans[2]	30.8[b]	+ 1.2	n.a.
Cash farm income[3]	43.2[c]	+ 11.0	− 8.1
	Indexes (1947-49 =100)		
Industrial production[2]			
Combined index	148[a]	+ 0.6	+ 5.0
Durable manufactures	156[a]	0.0	+ 3.3
Nondurable manufactures	144[a]	0.0	+ 6.7
Minerals	123[a]	+ 5.1	0.0
Manufacturing employment[4]			
Production workers	98	+ 0.7	+ 2.1
Factory worker earnings[4]			
Average hours worked	100	− 1.0	0.0
Average hourly earnings	168	+ 0.9	+ 2.8
Average weekly earnings	168	− 0.1	+ 2.8
Construction contracts awarded[5]	239	− 24.3	− 8.5
Department store sales[2]	145[a]	+ 0.7	+ 5.8
Consumer price index[4]	126	+ 0.1	+ 1.4
Wholesale prices[4]			
All commodities	119	− 0.2	− 0.3
Farm products	85	− 1.3	− 7.3
Foods	105	− 1.4	− 4.2
Other	128	+ 0.1	+ 1.3
Farm prices[3]			
Received by farmers	85	− 2.3	− 6.6
Paid by farmers	119	+ 0.8	+ 0.8
Parity ratio	77[d]	− 2.5	− 8.3

[1] U. S. Dept. of Commerce; [2] Federal Reserve Board; [3] U. S. Dept. of Agriculture; [4] U. S. Bureau of Labor Statistics; [5] F. W. Dodge Corp.
[a] Seasonally adjusted. [b] As of end of month. [c] Data are for October, 1959; comparisons relate to September, 1959, and October, 1958. [d] Based on official indexes, 1910-14 = 100. n.a. Not available.

UNITED STATES WEEKLY BUSINESS STATISTICS

Item	1959 Dec. 26	1959 Dec. 19	1959 Dec. 12	1959 Dec. 5	1959 Nov. 28	1958 Dec. 27
Production:						
Bituminous coal (daily avg.)...thous. of short tons	1,370	1,564	1,529	1,510	1,600	1,305
Electric power by utilities...mil. of kw-hr.	13,400	14,150	14,167	13,907	13,173	12,379
Motor vehicles (Wards)...number in thous.	119	175	99	67	56	120
Petroleum (daily avg.)...thous. bbl.	7,109	7,139	7,123	7,027	6,969	7,129
Steel...1947-49=100	153	158	159	154	147	107
Freight carloadings...thous. of cars	469	615	642	650	574	432
Department store sales...1947-49=100	246	318	298	249	176	205
Commodity prices, wholesale:						
All commodities...1947-49=100	118.8	118.9	119.0	118.9	119.0	119.2[a]
Other than farm products and foods...1947-49=100	128.5	128.5	128.5	128.6	128.7	127.2[a]
22 commodities...1947-49=100	82.9	83.8	84.6	84.7	84.9	86.1
Finance:						
Business loans...mil. of dol.	30,480	30,423	30,034	30,015	29,901	n.a.
Failures, industrial and commercial...number	195	285	248	261	268	185

Source: *Survey of Current Business, Weekly Supplements.*

[a] Monthly index for December, 1958. n.a. Not available.

RECENT ECONOMIC CHANGES

Auto Output

Passenger car production in the United States rose sharply in 1959 to slightly under 5.6 million units, an increase of 32 percent over 1958 output of only 4.2 million cars. However, 1959 production, which was somewhat curtailed by the steel strike, was still below the levels achieved in 1957, 1956, and 1955, when assemblies totaled 6.1 million, 5.8 million, and 7.9 million, respectively.

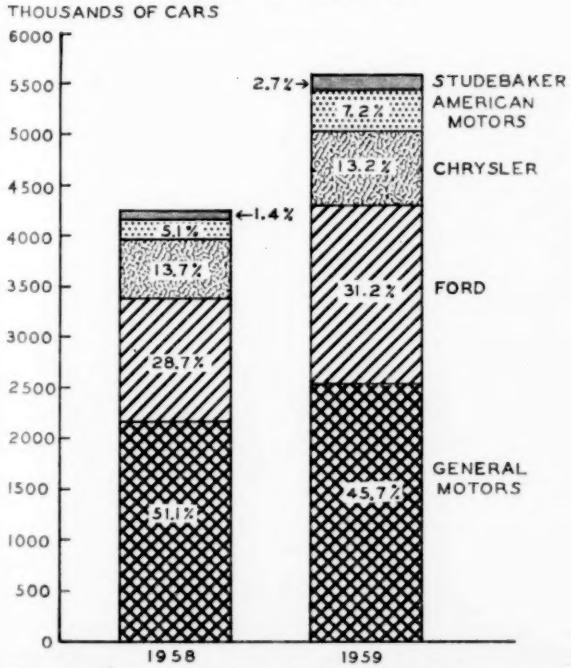
All companies shared in the increase in total car output during the year. However, there were some notable changes in the relative output positions both among companies and among various makes. Ford Motor Company, American Motors Corporation, and Studebaker-Packard Corporation all increased their proportion of total car assemblies during the year. General Motors' share of industry output dropped from 51.1 percent in 1958 to 45.7 percent, and Chrysler Corporation's share slipped to 13.2 percent (see chart). Among individual makes, Ford overtook Chevrolet during the year to become number one in assemblies with close to 1.5 million units. Chevrolet was second with about 1.4 million, while Rambler jumped from seventh to third with over 400,000 cars. Output of all makes except Buick rose during the year with the biggest percentage increases being recorded by Studebaker's Lark, 179 percent; Rambler, 83 percent; Pontiac, 74 percent; and Dodge, including the new Dart, 70 percent.

Construction Outlays

According to revised estimates by the Department of Commerce, outlays for new construction in 1959 reached a record high of over $54.3 billion. Despite the effects of the steel strike in the last months of the year, construction outlays rose 11 percent above the previous peak of $48.9 billion set in 1958. The new estimate for 1959 is slightly larger than the one the agency had reported earlier. Building expenditures for 1960 are expected to continue upward but at a slower rate than in the past year. The department estimates that such expenditures will be about $55.3 billion this year.

Almost all of the advance in the value of new construction put in place during 1959 was accounted for by an increase of 24 percent in spending for private residential building. This component advanced from $18.0 billion in 1958 to over $22.4 billion last year. As a result, total 1959 private spending on construction advanced to $38.3 billion from $33.5 billion in the previous year. Public construction during the year amounted to $16.0 billion, compared with $15.4 billion in 1958.

AUTO PRODUCTION



Source: *Wall Street Journal*, January 5, 1960.

Machine Tools

Machine tool orders in November declined to $53.7 million, down 20 percent from $66.6 million in October. The relatively high October figure resulted from a heavy influx of orders from domestic and foreign auto industries which pushed incoming business to a 31-month high. Although slightly below the 1959 monthly average of $54.5 million, November orders were well above the $29.1 million for the corresponding 1958 month.

Despite the substantial recovery in the machine tool industry during the year, orders in 1959 were still considerably below the average of recent years. In the major segment of the industry, metal cutting tools, orders for the first eleven months of 1959 totaled $464.1 million, a gain of 65 percent over the $281 million in orders for all of 1958, but well under the $745 million average for the last ten years. The estimated yearly capacity for cutting tools in the industry is about $800-$850 million.

Shipments of all machine tools also declined in November, from $51.5 million in the previous month to $44.1 million. As a result, shipments for the entire year are expected to fall below the 1958 total of $411 million, making 1959 the worst year for shipments since 1950.

United States Balance of Payments

The deficit in United States dollar transactions with the rest of the world declined in the third quarter of 1959, reversing the upward trend of the past two years. The balance of payments deficit in the third period was at a seasonally adjusted annual rate of about $4.2 billion, compared with $4.5 billion in the preceding quarter. The United States has not had a surplus of receipts over payments since the third quarter of 1957 when there was a surplus at an annual rate of $1.4 billion.

As a result of the continuing deficits of the United States in its international transactions, foreign nations and individuals have been able to build up substantial dollar balances in this country. In 1958 foreign governments converted $2.3 billion of their holdings into gold. Through the first three quarters of 1959 the outflow of gold from the United States has been only about $1 billion.

Despite the third-period improvement in the balance of payments, the deficit for 1959 is expected to pass $4 billion, compared with $3.4 billion in 1958.

Individuals' Savings

The Securities and Exchange Commission has reported that financial assets of individuals in the United States increased at a record rate in the first nine months of 1959. The expansion of assets amounted to $24.9 billion, surpassing the previous high of $20.7 billion set in the first three quarters of 1957. These accumulations, how-

ever, were partly offset by a sharp rise in individuals' indebtedness which increased $12.5 billion, mostly as the result of an $8.9 billion expansion in mortgage debt. Thus, the net increase in financial savings during the period was $12.4 billion, about 2 percent below the corresponding 1958 period and 10 percent less than in 1957 when savings reached a postwar high.

The commission report also noted that there was considerable change in the composition of individuals' savings during the year. Through September of 1959 individuals saved $8.4 billion in the form of securities, compared with $600 million in all of 1958. Most of this change was attributable to substantial acquisitions of United States government marketable issues, which amounted to $6.5 billion in the first nine months of 1959, as against liquidations of $3.6 billion in the same period in 1958.

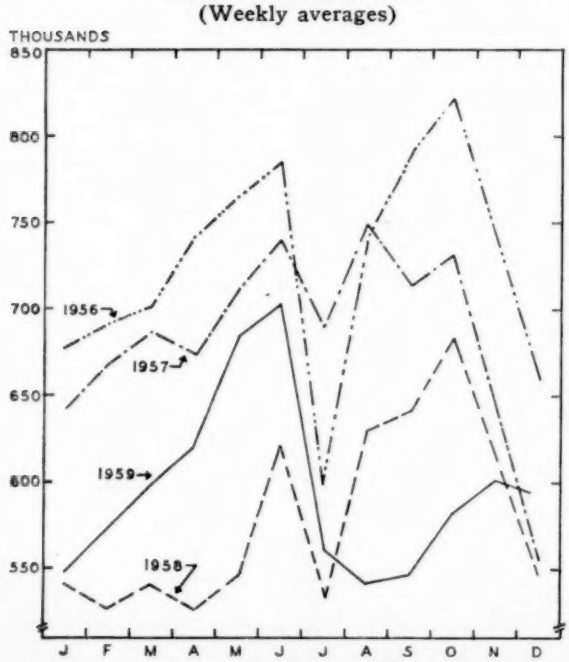
Another important shift was the substantial decline in additions to bank deposits and currency holdings. In the January-September period last year, assets in this form increased only $3.1 billion, compared with a $6.8 billion rise in the comparable 1958 period. On the other hand, savings in private insurance and pension reserves, investment company shares, and savings and loan association shares continued to follow the fairly steady growth of recent years.

Freight Carloadings

Freight loadings in December averaged about 594,000 cars per week, down slightly from November but the highest December total since 1956. As indicated in the accompanying chart, loadings ran well above 1958 throughout the first half of last year but dropped sharply in late summer because of the steel strike. The prolonged work stoppage in steel continued to have a depressing effect upon carloadings through the third quarter. The recovery in the final three months of the year, however, enabled loadings in 1959 to climb to 31.0 billion cars, about 2.5 percent, or 764,000 cars, ahead of 1958.

In spite of the over-all advance in carloadings in 1959, shipments in most product classes fell below 1958. The largest declines were in shipments of merchandise in less-than-carload lots, down 9.3 percent; ore, down 5.7 percent; and grain and grain products, down 4.3 percent. Coal and livestock loadings were also below year-ago levels. All of these reductions, however, were more than offset by increases of 19.9 percent in coke shipments, 10.2 percent in forest products, and 6.7 percent in miscellaneous products. The latter classification is the most significant since it includes, among other things, all manufactured goods and accounts for half of all freight loaded.

FREIGHT LOADINGS
(Weekly averages)



Source: Association of American Railroads.

Farm Prices

The Agriculture Department's index of prices received by farmers continued to fall during the month ended December 15. The latest decline lowered the index 2 points to 228 percent of the 1910-14 average, the lowest level in more than nineteen years. Since December 15, 1958, the index has fallen 16 points, or 7 percent. The department also reported that the average level of the index during the past year was 240, compared with an average of 250 for 1958.

Reduced prices for meat animals, reflecting continued heavy marketings, were the main element in the decline of the farm price index during the year. The index of prices for livestock and products fell 12 percent in the last twelve months from 270 in December, 1958, to 238 last month. The all-crops index, on the other hand, showed a 2 percent increase for the same period.

The index of prices paid by farmers remained unchanged during December at 297. This index was much more stable in 1959, rising only 2 points, than in any other year since 1940. However, the continuing decline in prices received by farmers forced the parity ratio down to 77 in December, 1959, from 83 in the same month of 1958.

Progress or Profiteering?

(Continued from page 2)

consumer lacks the ability to investigate and test. Then his very suspicion helps create the result it is supposed to prevent. He fears lack of quality in items offered below the prices advertised by the large, established concerns. Thus, competition on the part of producers without the means to incur heavy advertising expense is precluded.

Despite all the representations of our "free enterprise" doctrine, we have never had and can never have an economy in which practices detrimental to the consumer are left unrestricted. One kind of restraint that has not always led to such a hubbub is illustrated by the recent action of a high government official, who courageously, if not altogether judiciously, banned the sale of cranberries contaminated with a harmful drug. Another lies in the application of antitrust laws to prevent profiteering from undermining the consumer's welfare by way of undue taxes on his pocketbook. Business can retain the right to any kind of practice only as it is recognized to be a right. The line between the permissible and the prohibited is necessarily hazy, but some activities previously regarded as innocuous may move across the line when carried to an extreme. Congress has decided to reconsider some aspects of current business practice. The problem is quantitative as well as qualitative and goes far beyond the drug industry. Perhaps economists should re-examine some of their assumptions in the light of the facts developed.

VLB

BUSINESS BRIEFS

PUBLICATIONS AND DEVELOPMENTS OF BUSINESS INTEREST

Revised FRB Production Index

The Federal Reserve Board has recently revised its index of industrial production. The last major revision was in 1953. In the revision the benchmarks, weights, and comparison base data were brought up to date in order to provide improved physical volume measures for analyzing economic developments in the 1960's. A detailed presentation of the revision back to 1947 may be found in the December *Federal Reserve Bulletin.*

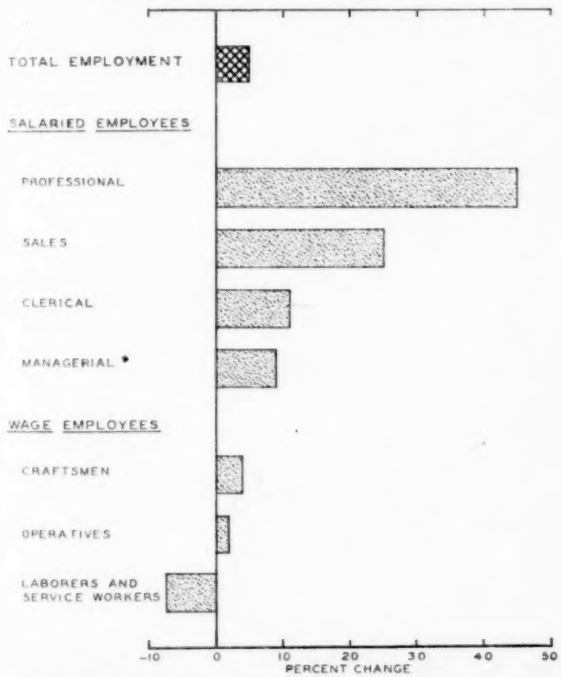
According to the new index, total industrial production hit an all-time high of 166 percent of the 1947-49 average in May and June of 1959. This compared with the previously published level of 153 percent in May and the peak of 155 percent in June for the old index. Overall, the revised index shows an average growth rate of 4.1 percent a year since 1947 in industrial output, compared with 3.7 percent for the old index.

The new index has been broadened to include production by electric and gas utilities. This accounts for about one-third of the upward shift in the new series. The remaining two-thirds of the upward revision is a result of the adjustment of the index on the basis of new information gathered from the latest business census on how much is being produced and what products have increased or fallen in importance.

Occupational Changes in Manufacturing

The December *Survey of Current Business* reports that during the postwar period there has been a marked shift in the occupational composition of employees of manufacturing industries toward salaried positions. Between 1952 and 1957, when total employment in manufacturing industries increased 5 percent, employment of professional and technical workers in manufacturing increased about 45 percent. Higher-than-average increases were also found in the other categories of salaried workers — sales, clerical, and managerial personnel (see chart). At the same time, there was a significant shift within the wage category toward more highly skilled occupations.

OCCUPATIONAL CHANGES IN MANUFACTURING, 1952 to 1957



* Also includes self-employed.
Source: U. S. Department of Commerce, *Survey of Current Business,* December, 1959, p. 21.

The rapid increase in employment of salaried workers was due mainly to expanded research and development activities and to technological changes in production processes in many industries. These changes have brought about more efficient production methods and have resulted in a greater need for professional and supervisory personnel.

Population Growth

Estimates released recently by the Bureau of the Census indicate that the total population of the United States as of July 1, 1959, was 176 million. This represents an increase of nearly 26 million, or 17 percent, since the 1950 census.

Among the nation's four major regions, as might be expected, the West had the highest rate of population growth. Between 1950 and 1959, the population of the West increased from nearly 20 million to 26 million, or 32 percent. The North Central region and the South experienced higher numerical gains but much lower rates of increase than the West. The population of the North Central region grew from 44 million to 52 million, or about 17 percent, and the South's population rose by 16 percent from 47 million to 55 million during the period. The lowest numerical gain and rate of increase was experienced in the Northeast region, where the population expanded from 39 million in 1950 to 44 million in 1959, an increase of 11 percent.

Nevada, Florida, and Arizona in that order led all other states in the rate of population growth between 1950 and 1959. The population in each of these states increased more than 60 percent. On the other hand, California, with a rate of 38 percent, had the largest numerical increase in population, growing from 10.6 million in 1950 to 14.6 million in 1959.

Illiteracy in the United States

The Census Bureau reported that the rate of illiteracy in the United States among persons 14 years of age and older had fallen to 3.2 percent in 1950. The number of illiterate persons in the population was about 3.6 million at that time. Later surveys which are not yet complete indicate that by 1959 the national illiteracy rate had fallen to about 2.2 percent. In 1900 the rate was 11.2 percent.

Data on illiteracy by states are not yet available for the period since 1950. In that year, however, the percentage of persons who were unable to read or write either in English or in any other language was below 3 percent in about two-thirds of the states and below 10 percent in all of them. Rates were highest in the South, particularly in Louisiana, South Carolina, Mississippi, Georgia, and Alabama, and in New Mexico and Arizona in the West. All of these states had rates over 6 percent. However, the 1950 rates in these states, as in all others, were well below the levels of illiteracy prevailing in 1900.

COLLEGE-AGE YOUTH—HERE THEY COME!

JOSEPH S. BEGANDO and EUNICE C. PARKER

Public understanding of the role and significance of higher education was never more necessary than it is today — as the decade of the 1960's begins. Perhaps no previous ten-year period in the history of higher education in the United States has begun with such unparalleled challenges. It seems certain that these challenges will be met only if the people of the nation understand and support higher education as they have elementary and secondary education in the decade of the 1950's.

The decade now begun is one in which there will be unprecedented demand for higher education, in both the quantitative and qualitative aspects. Apparently the institutions of higher learning will be expected to provide classrooms and laboratories for almost double the number of students presently enrolled. At the same time they will be expected to perform at an increased quality level. However, these expectations will not materialize merely because college and university presidents dutifully point out the needs of their respective institutions. An explosion in public understanding and support of the same magnitude as the explosions in the college-age population and in the frontiers of knowledge will be necessary if the challenges of the 1960's are to be turned into the accomplishments of the 1960's. This brief article has been prepared in the hope that it will serve as a stimulus to the interested citizen to study the problem.

The National Scene

Recent and reliable estimates confirm former predictions that colleges and universities will be expected to provide quality programs of higher education for more than 6 million students as the decade of the 1960's comes to an end. The situation is summed up by Philip H. Coombs in a chapter on "Financing Higher Education."[1] He points out that the United States Office of Education estimates that college and university enrollments may rise from the 1958-59 level of 3.5 million to approximately 6.4 million by 1970.

The dramatic increase in the next ten years is accounted for by the sharp rise in births since 1943 and the continuing increase in the proportion of young people going to college. Annual births averaged 2.4 million in the 1930's but jumped to 3.2 million in the period 1943-49. Indications are that in 1959 there were approximately 4.3 million births. In 1959, enrollments in institutions of higher learning were equal to 39 percent of the college age population (18 to 21 year olds), and conservative estimates are that the ratio will reach at least 44 percent by 1970. Some estimates are as high as 50 percent. A recent cross-section survey of parents' expectations with regard to their children going to college showed that parents expect to send 69 percent of children under eighteen years of age to college. The percentage was about the same for girls as for boys.[2]

These facts give substance to the plea for public understanding of the magnitude of the task facing the colleges and universities of the nation. Only prompt and unprecedented action can prevent a condition in which there is a limitation of higher educational opportunity.

[1] Philip H. Coombs, "An Economist's Overview of Higher Education," in Dexter M. Keezer, ed., *Financing Higher Education 1960-70* (New York: McGraw-Hill, 1959), p. 15.

[2] See foreword to *Parents' College Plans Study*, prepared for The Education Program of the Ford Foundation, June, 1959, by Elmo Roper and Associates.

The Illinois Scene

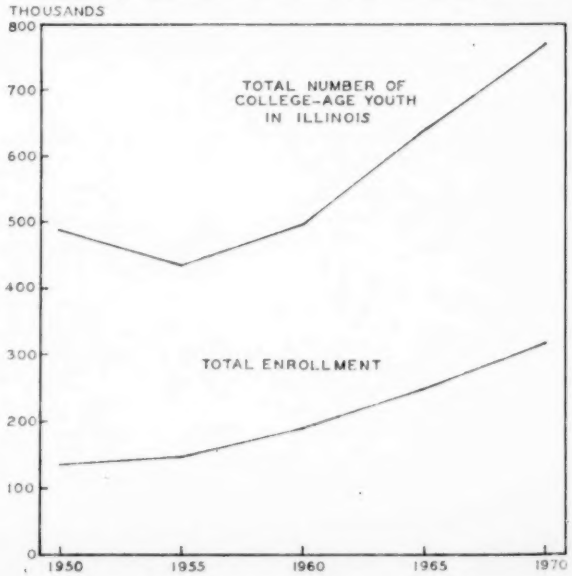
The challenge of the decade of the 1960's seems to be threefold for higher education in Illinois: (1) to educate youth to take their place in the complex world of atomic power and satellites and the even more complicated interaction of political, social, and economic groups; (2) to add to present knowledge through increased research in all fundamental fields of learning; and (3) to serve agriculture, industry, commerce, and government in increasingly significant ways.

The Illinois scene is part and parcel of the statistics which add up to the national problem in higher education outlined above. The statistics for Illinois are comparable to those for the nation as a whole, and the years immediately ahead will bring before the citizens of Illinois climactic issues with respect to higher education in their State.

There will be unprecedented numbers of Illinois youth seeking admission to colleges and universities within the State. There were 438,200 Illinois youths in the 18 to 21 age bracket in 1955; there will be 771,000 in 1970. (See Chart 1.) These are not just predictions. They are careful estimates calculated from actual numbers of children, now mostly in the elementary and junior high schools of the State. In Illinois, the birth rate began to rise abruptly in 1941. In 1940, for example, births in Illinois totaled 128,308, and in 1941 had increased to 139,666. By 1951 this figure had risen to 202,845 — and boys and girls born in that year will be of college age in 1969. Knowing the present public school enrollments, interested parents and citizens should not permit a postponement of expansion to the point where needed buildings are still being considered or under construction when the present record numbers of pre-high school pupils seek admission to the colleges and universities of the State.

Projected enrollment figures for all Illinois institutions of higher learning indicate that from 149,140 students in 1955, enrollments will rise to 313,000 in 1970. (See Chart 1.) These projections assume that needed facilities

CHART 1. ENROLLMENT IN ALL ILLINOIS INSTITUTIONS OF HIGHER EDUCATION



will be available — an assumption which may or may not be valid, depending upon how soon the need for action is recognized.

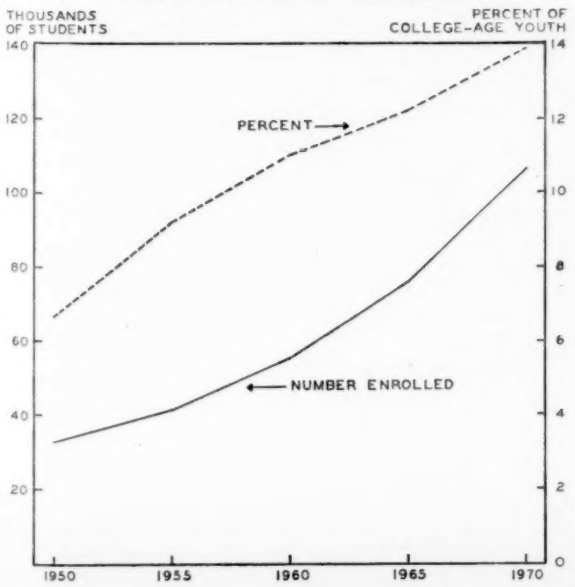
The Six State-Owned Universities

The six state universities (University of Illinois, Southern Illinois University, Northern Illinois University, Illinois State Normal University, Western Illinois University, and Eastern Illinois University) undoubtedly will be expected to continue to play a major role in providing higher education for the qualified youth of Illinois. It has been estimated that from a combined enrollment of 40,164 in 1955, these six institutions must prepare for more than 100,000 students in 1970. (See Chart 2.) With these universities now accommodating near-capacity enrollments, the task ahead poses a challenge to all citizens of Illinois.

In Illinois, as well as nationally, an increasing proportion of young people are going to college. As an index of this proportion, as it relates directly to the six state-owned universities, the ratio of total enrollments at the six universities to the total population of college age youths (18 to 21 year olds) in Illinois has been calculated. In 1950 this ratio was 6.7 percent. It rose to 9.2 percent in 1955, and is estimated to be 13.9 percent in 1970. (See Chart 2.) Parents have widely recognized the value of advanced training, both to the individual and to the society, and have indicated in a variety of ways that they want their children to have the advantage of a college education.

Yet there is an additional factor which may need to be taken into account. In 1958 there were 39,781 Illinois youths who attended institutions of higher education, both public and private, outside the State, while 28,370 young people came to Illinois for higher educational service from other states. Consequently there was a net student migration from Illinois of 11,411. As enrollments rise throughout the nation there may be a trend on the part of public institutions to put greater restrictions on admission of out-of-state students. In 1958 there were 14,870 Illinois youths who attended public institutions of higher education outside the State, while only 4,516 students from other states were enrolled in public institutions of higher education in Illinois. As admission restrictions increase it is logical to assume that more of the young people of Illinois will be forced to seek admittance to the six state universities within Illinois, adding to the enrollment pressures.

CHART 2. ENROLLMENT IN THE SIX STATE UNIVERSITIES IN ILLINOIS



The Opportunity for the Illinois Citizen

One of the most pressing problems of the moment in Illinois is how to get on with a much-needed building program at the six state institutions of higher learning. It is clearly evident from the enrollment projections cited above that the six state universities are not in a position to accommodate the numbers of qualified young people of Illinois who will soon seek admission. Without increased space for new enrollments, restrictions on the numbers to be admitted will be mandatory. The presidents of these six state universities recently expressed ". . . grave concern over the accumulated and future building needs of the several institutions. . . ."

The pertinent question today seems not to be whether more buildings should be built, but how many? How can they be financed? And on what schedule must they be completed if qualified students are to continue their education beyond high school? The Universities Bond Issue to be voted on at the November 8, 1960, election is one approach to the need for additional educational buildings. This method has been used recently by several other states and should be given serious study by the voters of Illinois.

In Illinois, as elsewhere throughout the nation, both publicly supported and privately supported institutions are involved — the challenge of the decade has been issued to all. Interested citizens will most certainly be called upon to relate higher education generally to economic, political, and social growth. Many parents with growing families are aware of the need in personal terms, and many businessmen and farmers recognize that demands for managerial and research talent will continue to increase. But the need often seems distant and tends not to be translated into demands for action now. The situation has been well stated in a recent report:

> . . . Perhaps the greatest problem facing American education today is the widely held view that all we require are a few more teachers, a few more buildings, a little more money. Such an approach will be disastrous. We are moving into the most demanding era in our history. An educational system grudgingly and tardily patched to meet the needs of the moment will be perpetually out of date. We must build for the future in education as daringly and aggressively as we have built other aspects of our national life in the past.[3]

Located in an economically promising region, recently enhanced by the rapid development of transportation, both by air and by the St. Lawrence Seaway, Illinois has a unique and important role in the economic life of the nation. This ensures that Illinois will be economically able to continue to maintain a first-rate system of higher education, and to meet the future requirements created by the increase in student population. Illinois as a state ranks among the highest in per capita personal income; it ranks among the lowest in state and local governmental revenues in relation to per capita personal income. Apparently the citizens of Illinois are in a position to make certain that the state-supported institutions will have the facilities needed to educate the youth of the State — its most valuable resource.

[3] The "Rockefeller Report" on Education: *The Pursuit of Excellence, Education and the Future of America*, Panel Report V (Garden City, N. Y.: Doubleday, 1958), p. 33.

LOCAL ILLINOIS DEVELOPMENTS

All major indexes of Illinois business activity, with the exception of electric power output, petroleum production, and life insurance sales, turned down in November. The largest decline was in construction contracts awarded, which dropped 29 percent. Decreases of 4 percent and 2 percent, respectively, were experienced in bank debits and seasonally adjusted department store sales in Chicago. Most of the state indexes were above year-ago figures, but construction contracts awarded, farm prices, and life insurance sales were down.

Mineral Production in 1959

According to preliminary estimates of the Illinois State Geological Survey, total value of mineral production in Illinois amounted to $594 million in 1959. This was the first time in four years that Illinois mineral production has dropped below the $600 million level and the third consecutive year in which values have fallen.

The two leading minerals, oil and coal, contributed nearly 71 percent — about $236 million and $183 million, respectively — of the state total (see chart). Oil drilling in Illinois fell off about 12 percent in 1959; however, total output remained relatively high, declining only 2.5 percent from that of 1958, owing mainly to the increased use of hydraulic fracturing and water flooding methods of recovery. Secondary methods were used for over 50 percent of the total petroleum recovered during 1959.

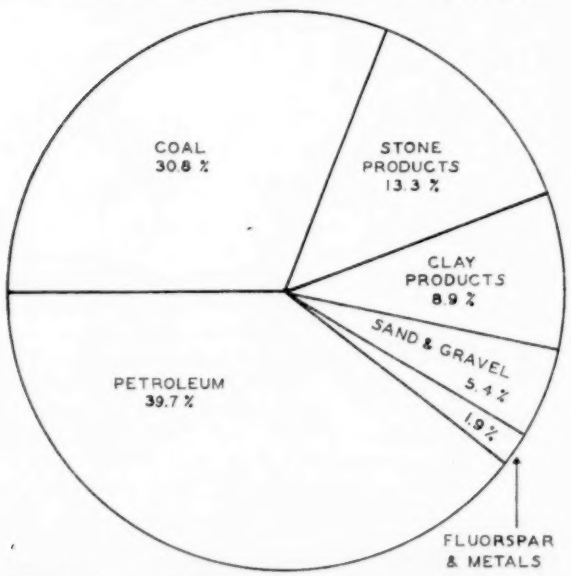
Coal and stone products were the only minerals that increased over 1958, rising 3.5 percent and 16.2 percent, respectively. Stone products were valued at $79 million.

The 1960 Highway Program

According to data released by the State Department of Public Works and Buildings, Division of Highways, a total of slightly more than $200 million is proposed for the 1960 primary highway improvement program. This program consists of $117 million for construction and right-of-way acquisition on the National System of Interstate and Defense Highways and $84 million for improvements on other primary but non-interstate highways. The federal government is supplying $114 million for these improvements, state and local sources $52 million, and the Cook County Expressway bond issue $35 million.

The total estimated cost of projects listed for the ten Illinois districts for 1960 amounts to $286 million, or $85 million more than the funds available. Projects in District Ten (Cook County) have an estimated cost of $114 million, with construction on Interstate 94 and 90 accounting for approximately 75 percent of this amount. About $19 million of construction is planned on Interstate 70 in the southern part of the State. Another major highway construction project is located in the northern part of the State, where an estimated $15 million will be spent on Interstate 80.

ILLINOIS MINERAL PRODUCTION, 1959*



* Preliminary estimates.
Source: Illinois State Geological Survey.

Salaries in Illinois

The December *Illinois Labor Bulletin* presents estimates of salaries of selected clerical, professional, and maintenance occupations in Illinois based upon information obtained from the 1959 Illinois Salary Survey. The Illinois State Department of Personnel conducted the survey which covered 36 occupations in a wide range of private industries. The industries surveyed had nearly 2,500 employers and 27,000 employees.

The findings show that of the nineteen clerical occupations surveyed the average monthly salaries ranged from $265 for first grade clerks to $600 for commodity buyers. Among the five professional occupations, chemists and mechanical engineers had the highest average monthly salaries, $627 in each case, while engineering aides received only $345 monthly. The average monthly salaries of the twelve maintenance occupations showed the widest variation of the three categories, ranging from a low of $216 for domestic workers to a high of $561 for maintenance electrician foremen.

The comparison of salaries between the six sections of Illinois show, as might be expected, that salaries in the Northeast area were generally higher than in other areas of the State, with 22 of the 29 occupations surveyed having salaries equal to or greater than the average for the State. The lowest level of salaries in Illinois was in the Southeast area, where salaries in most occupations were about 25 percent below the average for the State.

Auto and Home Insurance Premiums Cut

Governor William G. Stratton recently announced a cut in automobile insurance rates and premiums of home owner insurance policies held by Illinois residents. On December 30, 1959, automobile insurance in Illinois was reduced in accordance with lower schedules filed by the National Bureau of Casualty Underwriters. It is estimated that this cut in the cost of auto insurance will save motorists of the State $4.7 million in 1960. The reductions were the first since 1945 and were attributed to a decline in the number of claims and the cost of each claim in 1958. On a state-wide coverage basis, the new rates show a decrease of 5.4 percent in collision rates and a 3.3 percent drop in liability and property damage rates.

The Illinois Inspection Bureau and the Cook County Inspection Bureau made applications for the reduction in the premiums of home owner insurance policies for their respective members, which were later approved by the state insurance department. The reduced premiums were estimated to be between 20 percent and 30 percent below present rates. The lower premiums become effective January 25, 1960.

COMPARATIVE ECONOMIC DATA FOR SELECTED ILLINOIS CITIES

November, 1959

		Building Permits[1] (000)	Electric Power Consumption[2] (000 kwh)	Estimated Retail Sales[3] (000)	Department Store Sales[4]	Bank Debits[4] (000,000)	Postal Receipts[5] (000)
ILLINOIS		$19,135[a]	1,188,911[a]	$592,565[a]		$17,351[a]	$17,935[a]
Percentage change from	Oct., 1959	−52.1	+2.1	+6.8	+3	−4.3	+0.5
	Nov., 1958	−42.6	+8.1	+9.4	+5	+14.5	+9.9
NORTHERN ILLINOIS							
Chicago		$13,813	876,499	$432,950		$15,900	$15,816
Percentage change from	Oct., 1959	−56.2	+3.2	+7.4	+3	−4.0	+0.6
	Nov., 1958	−44.7	+4.7	+9.4	+4	+15.2	+11.3
Aurora		$ 357	n.a.	$ 9,367		$ 78	$ 155
Percentage change from	Oct., 1959	−65.2		+0.1	+1	−8.9	+4.0
	Nov., 1958	−69.2		+12.3	+3	+10.4	+7.0
Elgin		$ 167	n.a.	$ 6,508		$ 46	$ 124
Percentage change from	Oct., 1959	−24.1		+3.8	n.a.	−13.7	+4.9
	Nov., 1958	−32.4		+12.6		+1.0	−6.8
Joliet		$ 260	n.a.	$11,045		$ 84	$ 107
Percentage change from	Oct., 1959	−66.0		+5.2	+8	−14.0	+4.3
	Nov., 1958	−51.6		+11.5	+12	+0.5	−2.5
Kankakee		$ 73	n.a.	$ 5,057		n.a.	$ 76
Percentage change from	Oct., 1959	−55.8		−7.0	n.a.		+22.5
	Nov., 1958	−77.3		+0.3			+42.4
Rock Island-Moline		$ 551	27,653	$11,894		$ 121[b]	$ 167
Percentage change from	Oct., 1959	−41.9	−3.5	−1.3	n.a.	−6.3	+7.4
	Nov., 1958	−24.7	+12.9	+4.9		+10.5	+1.4
Rockford		$ 959	50,764[c]	$19,273		$ 197	$ 231
Percentage change from	Oct., 1959	−4.5	+1.2	+6.0	0[c]	−9.3	+2.2
	Nov., 1958	−18.5	+11.1	+13.7	+2[c]	+13.9	+4.3
CENTRAL ILLINOIS							
Bloomington		$ 80	9,580	$ 5,961		$ 73	$ 87
Percentage change from	Oct., 1959	−77.8	+6.5	+9.4	n.a.	+4.1	−18.1
	Nov., 1958	−38.5	+17.5	+9.4		+11.7	−16.1
Champaign-Urbana		$ 273	14,420	$ 9,486		$ 85	$ 117
Percentage change from	Oct., 1959	−54.8	+1.9	+15.6	n.a.	−9.4	−13.5
	Nov., 1958	+4.6	+10.2	+13.7		+10.2	−3.0
Danville		$ 130	13,457	$ 6,735		$ 47	$ 68
Percentage change from	Oct., 1959	−34.0	−4.0	+10.2	−3	−16.0	−5.6
	Nov., 1958	−43.5	+1.6	+15.4	−4	−4.4	+9.7
Decatur		$ 352	35,474	$12,159		$ 122	$ 115
Percentage change from	Oct., 1959	−46.4	−0.6	+6.6	−1[c]	−14.7	−11.5
	Nov., 1958	−19.1	+14.9	+7.4	−2[c]	+19.4	−4.0
Galesburg		$ 176	9,116	$ 4,968		n.a.	$ 48
Percentage change from	Oct., 1959	−44.0	+2.8	+6.1	n.a.		−7.6
	Nov., 1958	−82.7	+5.5	+8.4			−17.7
Peoria		$ 266	50,370[c]	$18,555		$ 223	$ 312
Percentage change from	Oct., 1959	−49.0	−3.7	+6.5	+1	−7.1	−2.0
	Nov., 1958	−62.3	+33.4	+12.2	+7	+4.7	+7.2
Quincy		$ 607	10,949	$ 5,477		$ 56	$ 72
Percentage change from	Oct., 1959	+177.2	−1.0	+10.7	+9	+4.8	−6.8
	Nov., 1958	+216.1	+13.6	+9.1	−2	+22.2	+0.2
Springfield		$ 390	38,906[c]	$14,438		$ 135	$ 280
Percentage change from	Oct., 1959	−60.3	−1.4	+2.3	+4[c]	−3.7	+10.9
	Nov., 1958	−32.8	+5.2	+8.3	+7[c]	−2.8	−2.2
SOUTHERN ILLINOIS							
East St. Louis		$ 146	15,206	$ 9,204		$ 143	$ 71
Percentage change from	Oct., 1959	+111.6	−5.1	+6.8	n.a.	−0.2	−9.6
	Nov., 1958	+534.8	+24.5	+7.1		+2.2	−2.5
Alton		$ 450	25,294	$ 4,912		$ 43	$ 37
Percentage change from	Oct., 1959	+121.7	+0.1	+2.5	n.a.	−6.7	−8.1
	Nov., 1958	−11.4	+102.9	+4.0		+13.4	−2.3
Belleville		$ 85	11,223	$ 4,578		n.a.	$ 51
Percentage change from	Oct., 1959	−43.7	+5.0	−0.4	n.a.		−1.9
	Nov., 1958	−7.6	+19.0	+1.0			+14.1

[a] Total for cities listed. [b] Includes East Moline. [c] Includes immediately surrounding territory. n.a. Not available.

Sources: [1] U. S. Bureau of Labor Statistics. Data include federal construction projects. [2] Local power companies. [3] Illinois Department of Revenue. Data are for October, 1959. Comparisons relate to September, 1959, and October, 1958. [4] Research Departments of Federal Reserve Banks in Seventh (Chicago) and Eighth (St. Louis) Districts. Department store sales percentages rounded by original sources. [5] Local post office reports. Four-week accounting periods ending November 13, 1959, and November 14, 1958.

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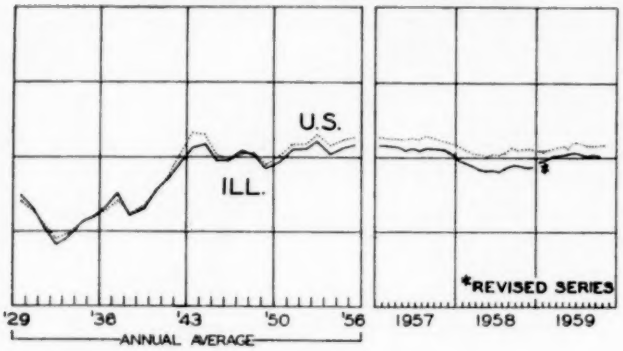
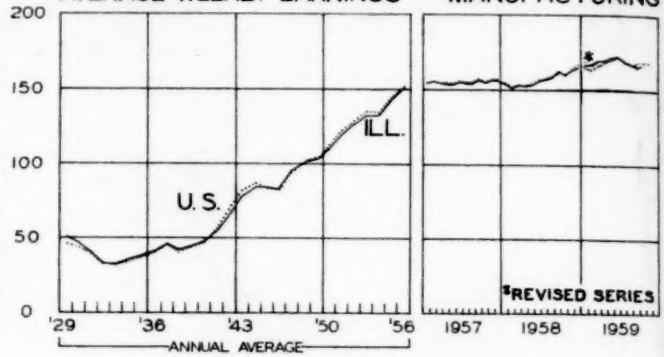
INDEXES OF BUSINESS ACTIVITY

1947-1949 = 100

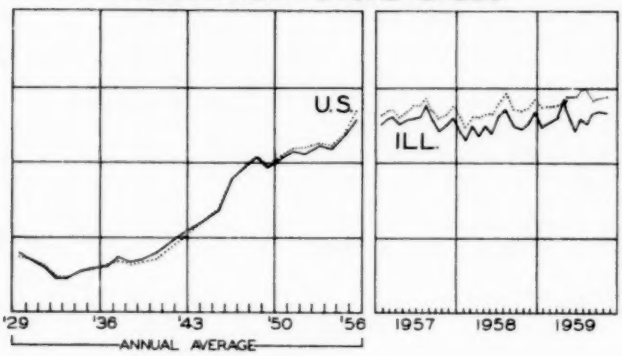
EMPLOYMENT MANUFACTURING



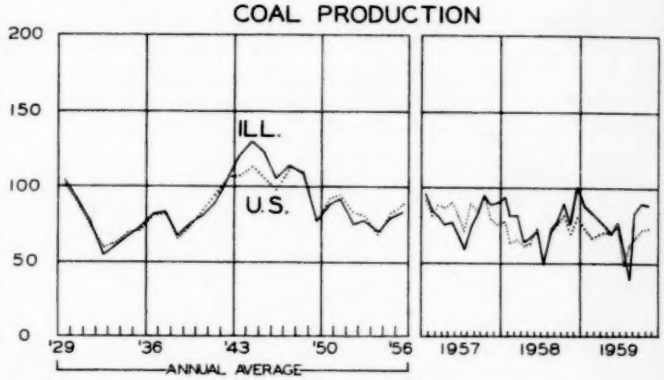
AVERAGE WEEKLY EARNINGS — MANUFACTURING



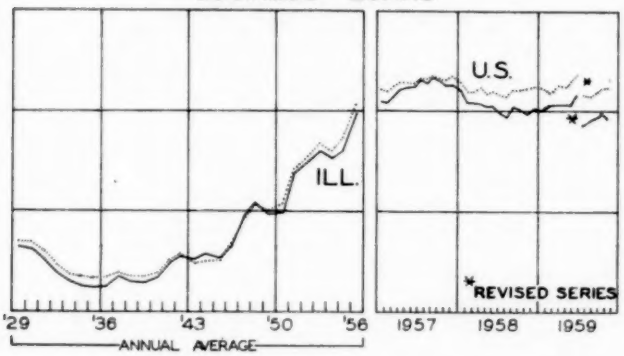
DEPARTMENT STORE SALES



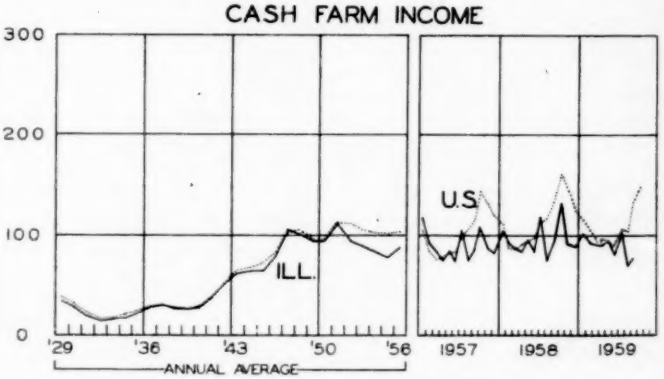
COAL PRODUCTION



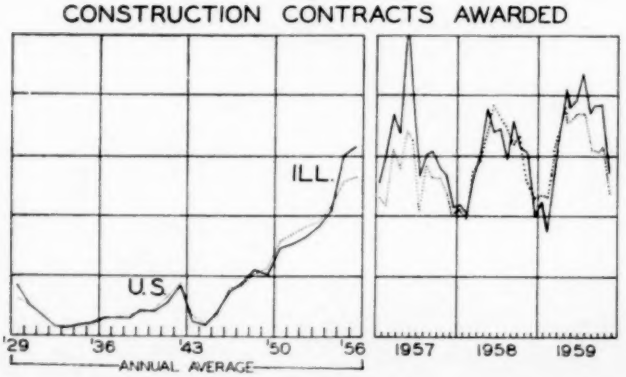
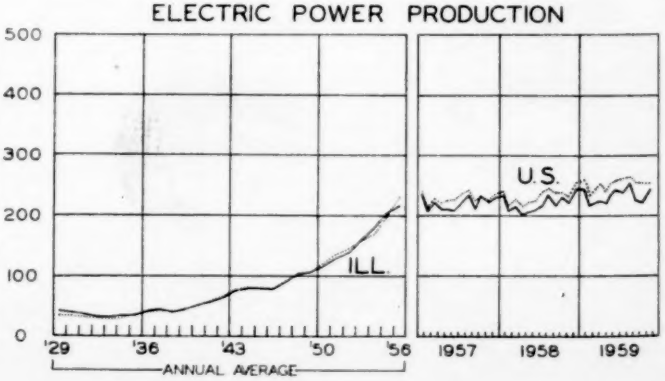
BUSINESS LOANS



CASH FARM INCOME



CONSTRUCTION CONTRACTS AWARDED



ELECTRIC POWER PRODUCTION